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9 UNITED STATES BANKRUPTCY COURT

10 DISTRICT OF NEVADA

11 In re:

12 CAREFREE WILLOWS, LLC,

13 Debtor.
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Case No. BK-S-10- 29932-MKN
 Chapter 11

**DECLARATION OF KENNETH
 TEMPLETON IN SUPPORT OF (1)
 EMERGENCY MOTION FOR AN ORDER
 AUTHORIZING THE USE OF CASH
 COLLATERAL ON AN INTERIM AND
 CONTINUING BASIS AND (2)
 EMERGENCY MOTION FOR
 AUTHORITY TO PAY PRE-PETITION
 PAYROLL**

Date: OST Requested
 Time: OST Requested

20 I, Kenneth Templeton, declare under penalty of perjury under the laws of the United States
 21 that the foregoing is true and correct:

22 1. I am over the age of 18, have personal knowledge of the facts herein, and am
 23 competent to testify thereto.

24 2. I am the Manager of MLPGP, LLC, which is the General Partner of Carefree
 25 Holdings, LP, the Manager of Carefree Willows, LLC ("Debtor") and state the following based
 26 upon personal knowledge.

27 3. The Debtor is the owner of an existing 300 unit senior housing complex, Carefree
 28 Senior Living, located at 3250 S. Town Center Drive, Las Vegas, Nevada (the "Property").

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Attached hereto as **Exhibit "1"** is a brochure highlighting the amenities, tenant services, and features available to residents at the Property. The provision of these amenities, tenant services and features allows the Debtor to charge higher revenue than paid for similar sized apartment housing complexes without these services. In addition to the services mentioned in the brochure, the Debtor provides daily breakfasts to all residents and housekeeping services to guest suites.

4. On October 21, 2010, the Debtor commenced this case by filing a voluntary petition for relief under Chapter 11 of the Bankruptcy Code.

5. By a deed of trust and assignment of rents¹ between Debtor and Union Bank of California ("Union Bank"), Debtor granted Union Bank a security interest in, among other things, revenue Debtor collects. Accordingly, the monthly revenue collected from the residents at Carefree Willows senior housing complex constitute the Secured Creditor's cash collateral ("Cash Collateral").

6. Debtor request authority to use the Secured Creditor's Cash Collateral pursuant to 11 U.S.C. § 363.

7. Debtor seeks leave to utilize the revenue generated by the Property to maintain the senior housing complex, for payment of maintenance expenses, management and employees, provision of tenant services, real estate taxes, insurance premiums, and utilities incurred by the senior housing complex and for no other purposes. The balance of the revenue collected will be segregated. Attached hereto as **Exhibit "2"** is a proposed monthly budget for use of cash collateral for the next 6 months.

8. Allowing the Debtor to continue to use the Revenue to operate its business allows the Debtor to exist and attempt to reorganize its debt. Doing so allows the Debtor to maximize the value of the Debtor based upon operating performance that will allow the Debtor to maintain its "going concern value."

¹ The Debtor notes that it hereby reserves any rights to dispute the amount, validity and priority of any of the deeds of trust and assignments of rents.

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1 9. The Debtor's anticipated revenue and expenses for the Property over the next 6
2 months are expected to be more than sufficient to pay for the maintenance expenses, tenant
3 services, real estate taxes, insurance premiums, and utilities incurred by the Property.

4 10. Allowing the Debtor to continue to use the revenue to maintain the Property will
5 provide time for the Debtor to attempt to reorganize its debts.

6 11. Moreover, the Secured Creditor is protected by replacement lien under 11 U.S.C. §
7 361 in proceeds of the same postpetition collateral, to the extent that: 1) the Secured Creditor's
8 prepetition interest is valid and nonavoidable, and 2) prepetition cash and proceeds are utilized by
9 the Debtor in this case. The priority of this replacement lien will be the same as its prepetition
10 priority.

11 12. Accordingly, the Secured Creditor should approve the Debtor's use of Cash
12 Collateral with ordinary monthly operating reporting and ordinary replacement liens. If the
13 Secured Creditor does not consent, the Debtor asks the Court to grant this Motion over the
14 Secured Creditor's objection. Absent authorization to use cash collateral, the Debtor will have
15 insufficient cash available to maintain the senior housing complex and preserve the value of the
16 Debtor's estate.

17 13. Without the use of the cash collateral, the Debtor may be in danger of not being
18 able to immediately meet its liquidity needs, jeopardizing the going concern value of the Debtor.
19 If the Debtor is able to use the cash collateral, then the Debtor believes it will be able to continue
20 to maintain the senior housing complex through confirmation of a plan of reorganization or
21 liquidation.

22 14. It is also important to the maintenance of the property and the provision of services
23 that we retain our existing employees and maintain employee morale. In order to do so, the
24 Debtor must pay the pre-petition payroll for the period of October 10, 2010 through October 23,
25 2010 which is due on October 29, 2010. None of the employees will receive more than \$5,000
26 and, I am told, that all of these wages have priority under the Bankruptcy Code. The gross payroll
27 will be less than \$15,000.

28 15. In addition to the payroll paid to employees, the Debtor is required to pay payroll

1 taxes and benefits for employees. These payments are required as a matter of law.

2 16. The Debtor has approximately \$452,000 in its bank account which is more than
3 sufficient to pay its ongoing expenses, including payroll.

4 Dated this 22nd day of October, 2010.

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7 Kenneth Templeton
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EXHIBIT “1”

Carefree[®]
SENIOR LIVING

Carefree

More Fun Than You Can Imagine!



CAREFREE AMBIENCE...

Carefree Senior Living Apartments are the essence of relaxed adult resort-style living. Our luxurious apartment home communities are nestled in peaceful surroundings featuring lush greenbelts, beautiful palm trees and well lit walking paths surrounding Mediterranean inspired architecture. Gentle waterfalls are a stunning backdrop to sparkling tropical pools and soothing spas.

Centered around elegant grand Clubhouses, Carefree Senior Living Apartments offer state-of-the-art amenities, including elegant billiard rooms, well-appointed entertainment centers, computer centers with free internet access, and majestic libraries. Carefree Senior Living communities can be found just minutes from area malls, shopping, banks, libraries, entertainment centers, sporting facilities and medical centers. Residents will also find Carefree Senior Living communities within minutes of area airports and local attractions, such as the world-famous Las Vegas Strip and Arco Arena in Sacramento.



CAREFREE LIFESTYLE...

Carefree Senior Living apartment communities are the ideal destination for adults looking to have FUN, enjoy life and have new adventures. Whether you want a relaxing afternoon lounging poolside or a friendly game of poker with friends or neighbors, Carefree Senior Living offers the rewards of our life's endeavors - resort style living and a FUN community.

A typical day might begin with an early morning swim, an exercise class or simply enjoying a good cup of coffee with friends in the luxurious Clubhouse. Afterward, enjoy a drive to picturesque area lakes, lunch on close-by snow capped mountains, or perhaps spend an afternoon at a favorite local casino. Whatever your definition of fun is, you will live the life you've always dreamed of and deserve at Carefree Senior Living apartment communities.



CAREFREE SERVICES...

Carefree offers a variety of services that come with the privilege of belonging to a Carefree Senior Living Apartment Community. Planned daily activities, on-site banking and pharmacy delivery, and vital health screenings are just a few of the typical services offered at Carefree Senior Living Apartments. Carefree seniors also benefit from informative seminars, which are a regular part of the monthly activities calendar. On a regular basis education and wellness seminars are planned and hosted by area specialists on senior issues, and professionals in healthcare and other industries. Our luxurious Clubhouses are furnished with computer centers available for resident use. Complimentary transportation to grocery stores, drug stores, banks, restaurants, sports events and entertainment venues are provided to residents in the safety and comfort of the Carefree "Fun Bus" Shuttle.



AMENITIES...

- Complimentary Shuttle Bus to grocery stores, banks, events & entertainment
- Full Time Activities Director
- Social Events
- Over Night Excursions
- Theme Parties
- Planned & Independent Activities
- Informative Seminars
- On-Site Pharmacy Delivery
- On-Site Banking
- On-Site Beauty & Barber Salon
- Monthly Newsletter & Calendar of Events
- Free Email & Internet Access
- JUST LIKE HOME STAFF



COMMUNITIES INCLUDE...

- Gated Resort Style Communities
- Covered Parking*
- Garages*
- Single-Story Villas with attached Garages
- Elevators
- 24-Hour Emergency Maintenance
- Lush Landscaping
- Pet Friendly with Dog Runs
- Gardening Areas
- Sparkling Pools and Tropical Spas
- Barbeque Areas
- Luxurious Clubhouses
- Complimentary Coffee Bar
- Computer Centers with High Speed Internet Access
- Laundry Rooms
- Contemporary Libraries
- Billiard Rooms
- Vibrant Salt Water Aquarium (Willows Location)
- State of the Art Fitness Centers
- Putting Green
- Bocce Ball Court

(*Fee required at some locations)



APARTMENT FEATURES...

- Fully-Appointed Spacious Kitchens
- Modern Energy-Efficient Appliances
- Washer & Dryer Rentals available in most units
- Ceiling Fans
- Extra Wide Doors
- Levered Door Handles
- Walk-In Showers
- Recessed Oversized Windows
- Cable Ready - High Speed Internet Access
- Mini Blinds
- Bathroom Grab Bars
- Wheelchair Accessible
- Private Patios/Balconies (some floor plans)
- Contemporary Decor

EXHIBIT “2”

Carefree Willows LLC Projected Operating Budget and Cash Flow

	November-10 Budget	December-10 Budget	January-11 Budget	February-11 Budget	March-11 Budget	April-11 Budget	Total Budget
Property Income							
4011 Rental Income	\$287,000	\$289,870	\$292,769	\$295,696	\$298,653	\$301,640	\$1,765,628
4020 Rent Concessions	(\$59,000)	(\$58,410)	(\$57,826)	(\$57,248)	(\$56,675)	(\$56,108)	(\$345,267)
4021 Guest Suite Income	\$6,200	\$6,200	\$6,200	\$6,200	\$5,600	\$4,000	\$34,400
4025 Beauty Shop Income	\$200	\$200	\$200	\$200	\$200	\$200	\$1,200
4360 Garage Rent	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$2,100	\$12,600
4365 Appliance Rent/Sale	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$13,800
4370 Pet Rent	\$650	\$650	\$650	\$650	\$650	\$650	\$3,900
4501 Application Fee	\$300	\$300	\$300	\$300	\$300	\$300	\$1,800
4502 Smokers Fee Charge	\$350	\$350	\$350	\$350	\$350	\$350	\$2,100
4503 Pet Fee Non Refundable	\$750	\$750	\$750	\$750	\$750	\$750	\$4,500
4504 Forfeited Security Deposits	\$600	\$600	\$600	\$600	\$600	\$600	\$3,600
4506 Material Recovery	\$600	\$600	\$600	\$600	\$600	\$600	\$3,600
4510 Community Fee	\$500	\$500	\$500	\$500	\$500	\$500	\$3,000
4511 Termination Fee	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$12,000
4520 Vending/Laundry Income	\$120	\$120	\$120	\$120	\$120	\$120	\$720
4522 Parking Income	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$6,000
4540 Late Fee	\$500	\$500	\$500	\$500	\$500	\$500	\$3,000
4541 NSF Charges	\$50	\$50	\$50	\$50	\$50	\$50	\$300
Total Property Income	\$246,220	\$249,680	\$253,163	\$256,669	\$259,598	\$261,551	\$1,526,881
Property Operating Expenses							
6210 Newspaper	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$2,700	\$16,200
6221 Magazine Advertising	\$950	\$950	\$950	\$950	\$950	\$950	\$5,700
6222 Internet Advertising	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$1,800	\$10,800
6223 Yellow Pages	\$150	\$150	\$150	\$150	\$150	\$150	\$900
6224 TV Advertising	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$4,300	\$25,800
6230 Other Advertising	\$18	\$18	\$18	\$18	\$18	\$18	\$108
6231 Direct Mail Advertising	\$75	\$75	\$75	\$75	\$75	\$75	\$450
6235 Flags Banners Signs	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6236 Referral Fees	\$300	\$300	\$300	\$300	\$300	\$300	\$1,800
6237 Resident Retentions	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$1,000	\$6,000
6243 Brochures	\$200	\$200	\$200	\$200	\$200	\$200	\$1,200
6305 Electric	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$5,000	\$30,000
6306 Gas	\$800	\$800	\$800	\$800	\$800	\$800	\$4,800
6307 Water	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$2,400	\$14,400
6308 Sewer	\$3,538	\$3,538	\$3,538	\$3,538	\$3,538	\$3,538	\$21,228
6309 Garbage	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$2,300	\$13,800
6310 Cable TV	\$34	\$34	\$34	\$34	\$34	\$34	\$204
6401 Activities Expense	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800	\$16,800
6402 Shuttle Expenses	\$1,360	\$1,360	\$1,360	\$1,360	\$1,360	\$1,360	\$8,160
6403 Other Activity Expenses	\$900	\$900	\$900	\$900	\$900	\$900	\$5,400
6405 Activities Recovery	(\$400)	(\$400)	(\$400)	(\$400)	(\$400)	(\$400)	(\$2,400)
6406 Lunch Program	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6510 Landscaping	\$4,050	\$2,550	\$2,550	\$2,550	\$2,550	\$4,050	\$18,300
6511 Pool/Fountain	\$700	\$700	\$700	\$700	\$700	\$700	\$4,200
6512 HVAC	\$400	\$400	\$400	\$400	\$400	\$400	\$2,400
6513 Appliance Repairs	\$150	\$150	\$150	\$150	\$150	\$150	\$900
6514 Electrical	\$300	\$300	\$300	\$300	\$300	\$300	\$1,800
6515 Plumbing	\$200	\$200	\$200	\$200	\$200	\$200	\$1,200
6516 Parking/Sidewalk Maintenance	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6518 Gates/Fencing/Walls	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6519 Lighting	\$300	\$300	\$300	\$300	\$300	\$300	\$1,800
6520 Elevators	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$18,000
6521 Fire Safety System	\$700	\$700	\$700	\$700	\$700	\$700	\$4,200
6522 Keys/Locks	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6523 Painting	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6524 Windows	\$50	\$50	\$50	\$50	\$50	\$50	\$300
6525 Carpet Cleaning/Repairs	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6529 General Repairs & Maintenance	\$150	\$150	\$150	\$150	\$150	\$150	\$900
6530 Pest Control	\$500	\$500	\$500	\$500	\$500	\$500	\$3,000
6533 Janitorial Supplies	\$400	\$400	\$400	\$400	\$400	\$400	\$2,400
6537 Alarm	\$150	\$150	\$150	\$150	\$150	\$150	\$900
6538 Unit Upgrades	\$150	\$150	\$150	\$150	\$150	\$150	\$900
6541 Aquarium Maintenance	\$600	\$600	\$600	\$600	\$600	\$600	\$3,600
6715 Electricity Vacancies	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$1,400	\$8,400
6720 Painting/Drywall	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6730 Carpet Cleaning	\$500	\$500	\$500	\$500	\$500	\$500	\$3,000

Carefree Willows LLC Projected Operating Budget and Cash Flow

	November-10 Budget	December-10 Budget	January-11 Budget	February-11 Budget	March-11 Budget	April-11 Budget	Total Budget
6731 Flooring Replacements	\$0	\$0	\$0	\$0	\$0	\$0	\$0
6750 Other Vacancy Expenses	\$150	\$150	\$150	\$150	\$150	\$150	\$900
6810 Guest Suite Expenses	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$1,100	\$6,600
6910 Maintenance Wages	\$6,500	\$6,500	\$6,500	\$6,500	\$6,500	\$9,750	\$42,250
6915 Office Wages	\$10,100	\$10,100	\$10,100	\$10,100	\$10,100	\$15,150	\$65,650
6916 Activities Wages	\$5,100	\$5,100	\$5,100	\$5,100	\$5,100	\$7,650	\$33,150
6919 Commissions	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$3,000	\$18,000
6951 Payroll Taxes	\$2,717	\$2,717	\$2,717	\$2,717	\$2,717	\$3,911	\$17,496
6952 Workers Comp Insurance	\$375	\$375	\$375	\$375	\$375	\$375	\$2,250
6961 Group Insurance	\$600	\$600	\$600	\$600	\$600	\$600	\$3,600
6962 Rent Concessions	\$1,138	\$1,138	\$1,138	\$1,138	\$1,138	\$1,138	\$6,828
6963 Employee Incentives	\$100	\$100	\$100	\$100	\$100	\$100	\$600
6964 Educations/Seminars	\$120	\$120	\$120	\$120	\$120	\$120	\$720
6965 401K/Profit Sharing	\$30	\$30	\$30	\$30	\$30	\$30	\$180
6981 Uniforms	\$165	\$165	\$165	\$165	\$165	\$165	\$990
6982 Payroll Processing	\$135	\$135	\$135	\$135	\$135	\$135	\$810
6983 Temporary Labor	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800	\$2,800	\$16,800
6984 Auto Allowance	\$250	\$250	\$250	\$250	\$250	\$250	\$1,500
6987 Drug Test/Credit Check	\$80	\$80	\$80	\$80	\$80	\$80	\$480
7005 Office Supplies	\$350	\$350	\$350	\$350	\$350	\$350	\$2,100
7006 Postage/Freight	\$150	\$150	\$150	\$150	\$150	\$150	\$900
7008 Furniture/Equipment Expense	\$250	\$250	\$250	\$250	\$250	\$250	\$1,500
7009 Computer Support	\$380	\$380	\$380	\$380	\$380	\$380	\$2,280
7010 Accounting/Legal/Professional	\$40	\$40	\$40	\$40	\$40	\$40	\$240
7014 Dues & Subscriptions	\$10	\$10	\$10	\$10	\$10	\$10	\$60
7022 Forms & Printing	\$50	\$50	\$50	\$50	\$50	\$50	\$300
7023 Answering Service	\$100	\$100	\$100	\$100	\$100	\$100	\$600
7024 Telephones & Pagers	\$870	\$870	\$870	\$870	\$870	\$870	\$5,220
7025 Bank Charges	\$140	\$140	\$140	\$140	\$140	\$140	\$840
7030 Other G & A Expenses	\$80	\$80	\$80	\$80	\$80	\$80	\$480
7037 Management Fees @4%	\$9,849	\$9,987	\$10,127	\$10,267	\$10,384	\$10,462	\$61,075
7038 Activity Fees @2%	\$4,924	\$4,994	\$5,063	\$5,133	\$5,192	\$5,231	\$30,538
7051 Property Taxes	\$16,408	\$16,408	\$16,408	\$16,408	\$16,408	\$16,408	\$98,448
7052 Insurance	\$6,728	\$6,728	\$6,728	\$6,728	\$6,728	\$6,728	\$40,368
7057 Association Dues	\$3,161	\$3,161	\$3,161	\$3,161	\$3,161	\$3,161	\$18,966
9130 Non Oper'l Acct/Legal/Prof Fee	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000	\$12,000
9200 Depreciation Expense	\$137,091	\$137,091	\$137,091	\$137,091	\$137,091	\$137,091	\$822,546
Total Property Expenses	\$261,666	\$260,374	\$260,583	\$260,793	\$260,969	\$274,630	\$1,579,014
Net Operating Income	(\$15,446)	(\$10,694)	(\$7,420)	(\$4,124)	(\$1,371)	(\$13,078)	(\$52,133)
Cash Flow Analysis							
Net Operating Income	(\$15,446)	(\$10,694)	(\$7,420)	(\$4,124)	(\$1,371)	(\$13,078)	(\$52,133)
Adjustments:							
Property Tax Amortization	\$16,408	\$16,408	\$16,408	\$16,408	\$16,408	\$16,408	\$98,448
Property Tax Payments			(\$49,224)		(\$49,224)		(\$98,448)
Insurance Amortization	\$6,728	\$6,728	\$6,728	\$6,728	\$6,728	\$6,728	\$40,368
Insurance Payments			(\$10,574)	(\$8,074)	(\$8,074)	(\$8,074)	(\$34,794)
Depreciation Expense	\$137,091	\$137,091	\$137,091	\$137,091	\$137,091	\$137,091	\$822,546
Capital Expenses (1)	(\$1,000)						(\$1,000)
Net Cash Flow	\$143,781	\$149,533	\$93,009	\$148,029	\$101,559	\$139,075	\$774,986

(1) Bus Repair 11/10